

In the name of Allah, most Gracious, most Merciful.  
This is by the Grace of Allah.

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# Company Information

## Chairman

Mr. Kemal Shoaib  
Independent Chairman

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## Chief Executive Officer

Mr. Yousuf H. Mirza  
Executive Director

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## Directors

Mr. Tawfiq H. Chinoy  
Executive Director

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Mr. Tariq Iqbal Khan  
Independent Director

---

Mr. Kamran Y. Mirza  
Independent Director

---

Syed Salim Raza  
Independent Director

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Syed Hyder Ali  
Non-Executive Director

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Mr. Mustapha A. Chinoy  
Non-Executive Director

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Mr. Kamal A. Chinoy  
Non-Executive Director

---

Mr. Otomichi Yano  
Non-Executive Director

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## Chief Financial Officer

Mr. Rashid Umer Siddiqui

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## Company Secretary

Mr. Yasir Ali Quraishi

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## External Auditors

KPMG Taseer Hadi & Co.

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## Internal Auditor

Mr. Usman Ahmed

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## Bankers

Allied Bank Ltd.  
Bank Al Habib Ltd.  
Bank Alfalah Ltd.  
Dubai Islamic Bank Pakistan Ltd.  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Metropolitan Bank Ltd.  
MCB Bank Ltd.  
Meezan Bank Ltd.  
NIB Bank Ltd.  
Samba Bank Ltd.  
Standard Chartered Bank (Pakistan) Ltd.  
United Bank Ltd.

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## Legal Advisor

Mrs. Sana Shaikh Fikree

## Registered Office

101, Beaumont Plaza, 10 Beaumont Road,  
Karachi – 75530

Telephone Nos: +9221-35680045-54

UAN: +9221-111-019-019

Fax: +9221-35680373

E-mail: yasir.quraishi@isl.com.pk

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## Branch Office

### Lahore

Chinoy House, 6 Bank Square, Lahore-54000

Phone: +9242-37229752-55

UAN: +9242-111-019-019

Fax: +9242-37249755

E-mail: lahore@isl.com.pk

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### Islamabad

Office # 2, First Floor, Ahmed Centre,  
I-8 Markaz, Islamabad.

Phone: +9251-2524650, 4864601-2

### Factory

399 - 404, Rehri Road, Landhi, Karachi.

Telephone Nos: +9221-35013104 - 5

Fax: +9221-35013108

E-mail: info@isl.com.pk

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## Website

www.isl.com.pk

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## Investors Relation Contact

### Shares Registrar

THK Associates (Pvt.) Ltd

Ground Floor, State Life Building No. 3,

Dr. Ziauddin Ahmed Road, Karachi-75530

Phone: +9221-111-000-322

Fax: +9221-35655595

Email: info@thk.com.pk

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## Corporate Affairs Department

Mr. Mohammad Irfan Bhatti

Assistant Company Secretary

101 Beaumont Plaza, 10 Beaumont Road,  
Karachi-75530.

Telephone Nos: +9221-35680045-54

UAN: +9221-111-019-019

Fax: +9221-35680373

Email: irfan.bhatti@iil.com.pk

## Directors' Report

The directors of your Company are pleased to present the financial statements for the half year ended 31 December, 2015.

During the period under review, your Company successfully commissioned an additional stand on its state of the art Cold Rolling Mill increasing rolling capacity to over 500,000 tons per annum. Addition of the 2nd Galvanizing line increases our Galvanizing capacity to in excess of 400,000 tons.

Continued volatility in steel prices on account of the economic downturn in World markets and the free trade agreement with China has enabled continued import of Cold Rolled, Galvanized and coated steel products at dumped prices, seriously undermining local industry's competitiveness.

The antidumping cases on both our finished products were accepted by the National Tariff Commission in the first half of this year. The commission on the 13th of January 2016 issued preliminary determination of antidumping duties on cold rolled imports from China and Ukraine ranging from 8.31% to 19.04%. The extent of injury on account of import of Galvanized coils / sheets is being examined by the National Tariff Commission.

Inspite of these challenges your Company registered net sales of Rs. 8.37 billion marginally below last year however, due to higher input costs and adverse impact of exchange rate fluctuations, the Company incurred a loss after tax of Rs. 78 million compared to profit after tax of Rs. 42 million in the first half of last year.

With improvement in Company's operations and regulatory environment we expect significant improvement in performance in the second half of the year.

We pray to Almighty Allah for the continued success of your Company.

For & behalf of  
International Steels Limited



**Kemal Shoaib**  
Chairman

Dated: 25 January 2016  
Karachi

# Auditors' Report to the Members on Review of Interim Financial Information

## *Introduction*

We have reviewed the accompanying condensed interim balance sheet of International Steels Limited ("the Company") as at 31 December 2015, the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

## *Scope of Review*

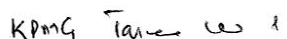
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## *Other matter*

The figures for the quarter ended 31 December 2015 and 31 December 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Moneeza Usman Butt**

Dated: 25 January 2016  
Karachi

# Condensed Interim Balance Sheet

As at 31 December 2015

		31 December 2015 (Un-audited) ----- (Rupees in '000) -----	30 June 2015 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	12,333,104	12,332,043
Intangible assets		276	551
Long-term deposit with Central Depository Company of Pakistan Limited		100	100
<b>Total non-current assets</b>		<b>12,333,480</b>	<b>12,332,694</b>
<b>Current assets</b>			
Stores and spares		409,121	349,577
Stock-in-trade	5	4,155,002	4,437,944
Receivable from K-Electric Limited (KE) - unsecured, considered good		42,268	56,895
Trade debts - secured, unsecured and considered good	6	701,651	362,464
Advances - considered good	7	108,403	47,918
Trade deposits, short term prepayments and other receivables	8	23,821	15,135
Sales tax receivable		443,893	38,295
Taxation - net		1,372,526	1,396,122
Cash and bank balances		45,154	37,731
<b>Total current assets</b>		<b>7,301,839</b>	<b>6,742,081</b>
<b>Total assets</b>		<b>19,635,319</b>	<b>19,074,775</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
500,000,000 (2015: 500,000,000) ordinary shares of Rs. 10 each		5,000,000	5,000,000
Issued, subscribed and paid up capital		4,350,000	4,350,000
Unappropriated profit		555,714	628,114
<b>Total shareholders' equity</b>		<b>4,905,714</b>	<b>4,978,114</b>
Surplus on revaluation of property, plant and equipment		546,035	551,828
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term finances - secured	9	5,438,626	5,740,767
Staff retirement benefits		20,686	20,686
Deferred taxation - net		149,874	371,243
<b>Total non-current liabilities</b>		<b>5,609,186</b>	<b>6,132,696</b>
<b>Current liabilities</b>			
Trade and other payables	10	2,665,894	2,280,259
Short term borrowings - secured	11	5,006,111	4,069,462
Current portion of long term finances	9	798,628	849,878
Accrued mark-up		103,751	212,538
<b>Total current liabilities</b>		<b>8,574,384</b>	<b>7,412,137</b>
<b>Contingencies and commitments</b>	12		
<b>Total Equity and liabilities</b>		<b>19,635,319</b>	<b>19,074,775</b>

The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.

  
Tariq Iqbal Khan  
Director & Chairman  
Board Audit Committee

  
Rashid Umer Siddiqui  
Chief Financial Officer

  
Yousuf H. Mirza  
Chief Executive Officer

# Condensed Interim Profit and Loss Account (Un-audited)

For the six and three months period ended 31 December 2015

	Note	<u>Six months period ended</u>		<u>Three months period ended</u>	
		<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
----- (Rupees in '000) -----					
Net sales	13	8,370,209	8,491,671	5,507,817	4,494,521
Cost of sales	14	(8,052,060)	(7,778,888)	(5,318,924)	(4,131,800)
<b>Gross profit</b>		<b>318,149</b>	<b>712,783</b>	<b>188,893</b>	<b>362,721</b>
Administrative expenses	15	(75,024)	(72,750)	(38,534)	(37,011)
Selling and distribution expenses	16	(79,606)	(99,096)	(45,131)	(53,916)
		(154,630)	(171,846)	(83,665)	(90,927)
Financial charges	17	(422,332)	(575,513)	(197,155)	(215,911)
Other operating charges	18	(85,519)	(4,158)	(15,172)	(3,332)
		(507,851)	(579,671)	(212,327)	(219,243)
Other income	19	54,489	75,678	23,101	2,207
<b>(Loss) / profit before taxation</b>		<b>(289,843)</b>	<b>36,944</b>	<b>(83,998)</b>	<b>54,758</b>
Taxation	20	211,650	5,265	208,390	(14,897)
<b>(Loss) / profit for the period</b>		<b>(78,193)</b>	<b>42,209</b>	<b>124,392</b>	<b>39,861</b>
----- (Rupees) -----					
(Loss) / earnings per share - basic and diluted		(0.18)	0.10	0.29	0.09


The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.



**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Rashid Umer Siddiqui**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer

# Condensed Interim Statement of Comprehensive Income (Un-audited)

For the six and three months period ended 31 December 2015

	<u>Six months period ended</u>		<u>Three months period ended</u>	
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>----- (Rupees in '000) -----</u>			
(Loss) / profit for the period	(78,193)	42,209	124,392	39,861
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(78,193)</u>	<u>42,209</u>	<u>124,392</u>	<u>39,861</u>

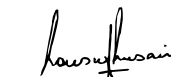
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Director & Chairman  
Board Audit Committee



**Rashid Umer Siddiqui**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer

# Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2015

		Six months period ended	
	Note	31 December 2015	31 December 2014
		----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(289,843)	36,944
<b>Adjustments for:</b>			
Depreciation		335,333	262,687
Amortisation		275	2,949
Gain on disposal of property, plant and equipment		(2,940)	(3,820)
Provision for staff gratuity		5,448	6,201
Provision for compensated absences		1,500	1,520
Financial charges		422,332	575,513
		761,948	845,050
Changes in working capital	21	(179,035)	(980,294)
<b>Net cash generated from / (used in) operations</b>		293,070	(98,300)
Financial charges paid		(531,119)	(548,512)
Gratuity paid		(5,448)	(6,201)
Compensated absences paid		(14,489)	(159)
Taxes refunded / (paid)		13,877	(196,751)
		(537,179)	(751,623)
<b>Net cash used in operating activities</b>		(244,109)	(849,923)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(336,898)	(1,280,469)
Proceeds from sale of property, plant and equipment		5,174	5,366
<b>Net cash used in investing activities</b>		(331,724)	(1,275,103)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (repayments) of / proceeds from long term financing		(353,391)	916,914
Dividend paid		(2)	(393,634)
<b>Net cash (used in) / generated from financing activities</b>		(353,393)	523,280
<b>Net decrease in cash and cash equivalents</b>		(929,226)	(1,601,746)
Cash and cash equivalents at beginning of the period		(4,031,731)	(4,839,747)
Cash and cash equivalents at end of the period		(4,960,957)	(6,441,493)
<b>CASH AND CASH EQUIVALENTS COMPRISE OF:</b>			
Cash and bank balances		45,154	56,837
Short term borrowings		(5,006,111)	(6,498,330)
		(4,960,957)	(6,441,493)

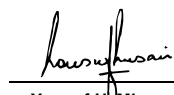
The annexed notes from 1 to 24 form an integral part of these condensed interim financial information.



**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Rashid Umer Siddiqui**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer



# Condensed Interim Statement of Changes in Equity (Un-audited)

For the six months period ended 31 December 2015

	Issued, subscribed & paid up capital	Unappropriated profit	Total
	----- (Rupees in '000) -----		
<b>Balance as at 01 July 2014</b>	4,350,000	856,325	5,206,325
<i>Total comprehensive income for the six months period ended 31 December 2014</i>			
Profit for the period	-	42,209	42,209
Other comprehensive income for the period	-	-	-
	-	42,209	42,209
<b>Transactions with owners - Distribution</b>			
Dividend:			
- Final dividend @ 10% (Re. 1 per share) for the year ended 30 June 2014	-	(435,000)	(435,000)
Total transactions with owners of the company	-	(435,000)	(435,000)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	5,795	5,795
<b>Balance as at 31 December 2014</b>	<u>4,350,000</u>	<u>469,329</u>	<u>4,819,329</u>
<b>Balance as at 01 July 2015</b>	4,350,000	628,114	4,978,114
<i>Total comprehensive income for the six months period ended 31 December 2015</i>			
Loss for the period	-	(78,193)	(78,193)
Other comprehensive income for the period	-	-	-
	-	(78,193)	(78,193)
Transferred from surplus on revaluation of property, plant and equipment - net of deferred tax	-	5,793	5,793
<b>Balance as at 31 December 2015</b>	<u>4,350,000</u>	<u>555,714</u>	<u>4,905,714</u>

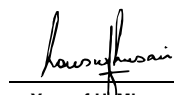
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**Tariq Iqbal Khan**  
Director & Chairman  
Board Audit Committee



**Rashid Umer Siddiqui**  
Chief Financial Officer



**Yousuf H. Mirza**  
Chief Executive Officer

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

## 1. STATUS AND NATURE OF BUSINESS

International Steels Limited ('the Company') was incorporated on 03 September 2007 as a public unlisted company limited by shares under the Companies Ordinance, 1984 and is domiciled in the province of Sindh. The Company was listed on the Karachi Stock Exchange on 01 June 2011 as a result of divestment of shares by International Industries Limited ('the Holding Company') ('IIL'). The Company is in the business of manufacturing of Cold Rolled, Galvanized and Color Coated Steel Coils and Sheets. The Company commenced commercial operations on 01 January 2011. The Company is a subsidiary of IIL. The registered office of the Company is situated at 101, Beaumont Plaza, 10 Beaumont Road, Civil Lines, Karachi.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

2.1.1 This condensed interim financial information of the Company for the six months period ended 31 December 2015 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.1.2 This condensed interim financial information is presented in Pakistani Rupees which is also the Company's functional currency and all financial information presented has been rounded-off to the nearest thousand except otherwise stated.

2.1.3 This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 30 June 2015.

2.1.4 This condensed interim financial information is un-audited and is being submitted to the shareholders as required by listing regulations of Karachi Stock Exchange vide section 245 of the Companies Ordinance, 1984. The figures for the six months period ended 31 December 2015 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance.

### 2.2 Estimates and judgements

In preparing this condensed interim financial information, management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimating the uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 30 June 2015.

### 2.3 Financial risk management

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2015.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2015. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Company's operations and did not have any impact on the accounting policies of the Company.

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

## 4 PROPERTY, PLANT AND EQUIPMENT

	Note	Operating assets	Capital work -in-progress (Rupees in '000)	Total
<b>Cost</b>				
Opening balance		12,710,005	1,609,564	14,319,569
Additions / (disposals) - net	4.1 & 4.2	<u>1,753,422</u>	<u>(1,421,593)</u>	<u>331,829</u>
		14,463,427	187,971	14,651,398
<b>Accumulated depreciation</b>				
Opening balance		1,987,526	-	1,987,526
For the period - net of disposal		<u>330,768</u>	<u>-</u>	<u>330,768</u>
		2,318,294	-	2,318,294
<b>Written down value as at 31 December 2015 (Un-audited)</b>		<u>12,145,133</u>	<u>187,971</u>	<u>12,333,104</u>
Written down value as at 30 June 2015 (Audited)		<u>10,722,479</u>	<u>1,609,564</u>	<u>12,332,043</u>

4.1 Total additions in operating assets amounted to Rs.1,760.2 million (30 June 2015: Rs. 1,866.8 million) and disposals amounted to Rs. 6.8 million (30 June 2015: Rs. 31.1 million).

4.2 Total additions in capital work-in-progress amounted to Rs. 355.8 million (30 June 2015: Rs. 3,078.9 million) and transfers amounted to Rs. 1,777.4 million (30 June 2015: Rs. 1,821.1 million).

	Note	31 December 2015 (Un-audited) ----- (Rupees in '000) -----	30 June 2015 (Audited)
<b>5 STOCK-IN-TRADE</b>			
Raw material	5.1	2,598,122	2,505,183
Work-in-process		422,266	365,261
Finished goods		1,116,626	1,552,343
Scrap material		17,988	15,157
		<u>4,155,002</u>	<u>4,437,944</u>

5.1 This includes raw material-in-transit amounted to Rs. 1,507.9 million (30 June 2015: Rs. 294.2 million).

## 6 TRADE DEBTS - secured, unsecured and considered good

Secured	6.1	678,119	337,940
Unsecured		<u>23,532</u>	<u>24,524</u>
		<u>701,651</u>	<u>362,464</u>

6.1 This represents trade debts arising on account of export sales which are secured by way of Export Letter of Credit, Document of Acceptance which are not yet matured and against Inland Letter of Credit for domestic customers.

## 7 ADVANCES - considered good

Advances to:			
- suppliers		107,455	47,918
- employees		<u>948</u>	<u>-</u>
		<u>108,403</u>	<u>47,918</u>

## 8 TRADE DEPOSITS, SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES

Trade deposits		9,682	11,067
Short term prepayments		<u>14,139</u>	<u>4,068</u>
		<u>23,821</u>	<u>15,135</u>

## 9 LONG TERM FINANCES - secured

Syndicated Long Term Finance under LTFF Scheme	9.1 & 9.2	4,010,321	4,132,462
Long term finance	9.3, 9.4, 9.5 & 9.6	<u>2,226,933</u>	<u>2,458,183</u>
		6,237,254	6,590,645
Current maturity of long term finances		<u>(798,628)</u>	<u>(849,878)</u>
		<u>5,438,626</u>	<u>5,740,767</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

- 9.1 The syndicated term financing amounting to Rs. 2,092.1 million (30 June 2015: Rs. 2,341.7 million) has been obtained for plant and machinery of Cold Rolling Mill and Galvanising Plant and is secured by way of mortgage of land located at Survey No. 399-404, Landhi Town, Karachi and joint hypothecation of all present and future fixed assets (excluding land and building), as per the terms of syndicated term financing agreement.
- 9.2 Long term financing facility amounting to Rs. 1,918.3 million (30 June 2015: Rs. 1,790.7 million) has been obtained from United Bank Limited and Bank Al Habib Limited and is secured by way of pari passu charge over the fixed assets of the Company.
- 9.3 Long term financing facility amounting to Rs. 189.4 million (30 June 2015: Rs. 383.2 million) has been obtained from Faysal Bank Limited for plant and machinery and is secured by way of pari passu charge over the fixed assets of the Company.
- 9.4 Long term finance amounting to Rs. 237.5 million (30 June 2015: Rs. 275 million) has been obtained from various banks and is secured by way of ranking charge over fixed assets of the Company.
- 9.5 Long term finance amounting to Rs. 800 million (30 June 2015: Rs. 800 million) has been obtained from MCB Bank Limited and is secured by way of ranking charge over the fixed assets of the Company.
- 9.6 Long term finance amounting to Rs. 1,000 million (30 June 2015: Rs. 1,000 million) has been obtained from Meezan Bank Limited and is secured by way of ranking charge over fixed assets of the Company.
- 9.7 The rate of interest on aforementioned loans are same as disclosed in annual audited financial statements for the year ended 30 June 2015.

	Note	31 December 2015 (Un-audited) ----- (Rupees in '000) -----	30 June 2015 (Audited)
<b>10</b>	<b>TRADE AND OTHER PAYABLES</b>		
Trade creditors		1,857,300	1,610,845
Payable to provident fund		2,120	1,916
Sales commission payable		27,295	20,396
Accrued expenses		216,371	163,388
Advance from customers		224,445	158,587
Unclaimed dividend		389	391
Provision for infrastructure cess	10.1	314,129	287,508
Provision for government levies		409	568
Short term compensated absences		1,500	12,759
Workers' Profit Participation Fund		-	12,664
Workers' Welfare Fund		5,752	5,752
Others		16,184	5,485
		<u>2,665,894</u>	<u>2,280,259</u>
<b>10.1</b>	This represents provision against fifty percent amount guaranteed to Excise and Taxation Officer (refer note 12.1.1).		
Opening balance		287,508	211,800
Provided during the period		26,621	75,708
Closing balance		<u>314,129</u>	<u>287,508</u>
<b>11</b>	<b>SHORT TERM BORROWINGS - secured</b>		
Running finance under mark-up arrangement	11.1	2,484,804	50,505
Running finance under FE-25 Import Scheme		-	1,590,724
Running finance under Export Refinance Scheme	11.2	1,571,873	1,225,000
Short term finance under Istisna	11.3	399,812	399,110
Short term finance under Musharakah	11.4	249,622	-
Short term finance under Running Musharakah	11.5	300,000	6,021
Short term finance under Musharakah - FE25		-	798,102
		<u>5,006,111</u>	<u>4,069,462</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

- 11.1** The facilities for running finance available from various commercial banks are for the purpose of meeting working capital requirements. The rates of mark-up on these facilities range from KIBOR +0.04% to KIBOR + 1.75% (30 June 2015: KIBOR + 0.2% to KIBOR + 1.75%) per annum. These facilities mature within twelve months and are renewable.
- 11.2** The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank. This facility is available as a sub limit of short term finance facility. The rate of mark-up on this facility is 3.94% per annum (30 June 2015: 5.53%). This facility matures within six months and is renewable.
- 11.3** The Company has obtained facilities for short term finance under Istisna financing arrangement. The rate of profit is KIBOR + 0.15% (30 June 2015: KIBOR + 0.2%). This facility matures within six months and is renewable.
- 11.4** This represents Islamic Term Musharkah under Islamic financing for the purpose of meeting working capital requirements. The facility is availed for an amount of Rs. 249.6 million. It carries mark-up at the rate of KIBOR + 0.2%.
- 11.5** The Company has obtained facilities for short term finance under Running Musharakah. The rate of profit is KIBOR + 0.2% (30 June 2015 : KIBOR + 0.2%) per annum. This facility matures within twelve months and is renewable.
- 11.6** As at 31 December 2015, the unavailed facilities from the above borrowings amounted to Rs. 5,393.9 million (30 June 2015: Rs. 5,205.5 million).
- 11.7** The above facilities are secured by way of joint and first pari passu charges over current assets of the Company.

## **12 CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

- 12.1.1** The Sindh Finance Act, 1994 prescribed in the position of an infrastructure fee at the rate of 0.50% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The High Court of Sindh on petition filed by petitioners, passed an interim order directing that every Company subsequent to 27 December 2006 is required to clear the goods on paying 50% of the fee amount involved and furnishing a guarantee / securities for the balance amount as directed. Bank guarantees issued as per the above mentioned interim order amount to Rs. 336.5 million (30 June 2015: Rs. 298.5 million), have been provided to the Department. However, a provision to the extent of amount utilized from the limit of guarantee has also been provided for by the Company on prudent basis (note 10.1).
- 12.1.2** As per the Gas Infrastructure and Development Cess Act 2011 ('the Act'), certain companies as specified in the Act (including Sui Southern Gas Company ('SSGC')) shall collect and pay Gas Infrastructure and Development Cess ('GIDC') in such manner as the Federal Government may prescribe. As per the second schedule of the Act, GIDC of Rs. 13 per MMBTU was applicable on the Company. Through Finance Bill 2012 – 2013, an amendment was made to the Act whereby the rate of GIDC applicable on the Company was increased to Rs. 100 per MMBTU. On 01 August 2012, the Company filed a suit bearing number 859/2012 wherein it impugned the Act on the ground that the rate of GIDC has been enhanced without any lawful justification and authority. The Honorable High Court of Sindh at Karachi vide its ad-interim order dated 06 September 2012 has restrained SSGC from charging GIDC above Rs. 13 per MMBTU. As a result, SSGC invoiced GIDC to the Company at Rs. 13 per MMBTU, which has been recorded.

Peshawar High Court vide order dated 13 June 2013 declared that the provisions of the Act, imposing, levying and recovering the impugned cess, are absolutely expropriatory and exploitative and being constitutionally illegitimate, having no sanction therefore under the constitution, hence, are declared as such and set at naught. However, Supreme Court of Pakistan vide its order dated 30 December 2013 has suspended the judgment of Peshawar High Court. On 22 August 2014, Supreme Court of Pakistan has upheld the decision of the Peshawar High Court stating that the GIDC Act 2011 to be unconstitutional and ultra vires on the grounds that GIDC is a 'Fee' and not a 'Tax' and in the alternative it is not covered by any entry relating to imposition or levy of tax under Part-I of the Federal Legislative list and on either counts the 'cess' could not have been introduced through a money bill under the Constitution.

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

During April 2015 the Government has passed a new law 'Gas Infrastructure Development Cess Act 2015' ('the Act'), by virtue of which all prior enactments have been declared infructuous. The said Act levies GIDC at Rs. 200/MMBTU on captive power consumption effective from 01 July 2011 and at Rs. 100/MMBTU on industrial connection from the date of passing that Act. The Company has obtained a stay order on the retrospective application of the Act from the Honourable High Court of Sindh. The Company is confident of favourable outcome and therefore has not recorded a provision of Rs. 380.8 million in these condensed interim financial information pertaining to period from 01 July 2011 till 22 May 2015. However, the Company has recognized cess after the passage of the Act.

- 12.1.3** Section 113(2)(c) of the Income Tax Ordinance, 2001 was interpreted by a Divisional Bench of the Sindh High Court (SHC) in the Income Tax Reference Application (ITRA) No. 132 of 2011 dated 07 May 2013, whereby it was held that the benefit of carry forward of Minimum Tax is only available in the situation where the actual tax payable (on the basis of net income) in a tax year is less than Minimum Tax. Therefore, where there is no tax payable due to brought forward tax losses, minimum tax could not be carried forward for adjustment with future tax liability.

The Company based on legal counsel's advices considered that certain strong grounds are available whereby the aforesaid decision can be challenged in a Larger Bench of the SHC or the Supreme Court of Pakistan. A leave to appeal against the aforesaid decision has already been filed before the Supreme Court of Pakistan by other companies which is pending for hearing. In view of above, the Company is confident that the ultimate outcome in this regard would be favorable. Accumulated minimum tax liability of Rs. 219.51 million was determined for the tax years 2012 and 2013. However, based on the assessment and estimation for availability of sufficient taxable profits on the basis of 5 years projections and tax credits available to the Company under section 65B of the Income Tax Ordinance, 2001, accumulated minimum tax liability amounting to Rs. 644.6 million has not been recorded in these condensed interim financial information.

- 12.1.4** Guarantees issued by the Company to Sui Southern Gas Company Limited amounted to Rs. 226.7 million (30 June 2015: Rs. 222.7 million) as a security for supply of gas.

- 12.1.5** Guarantee issued in favor of Pakistan State Oil by bank on behalf of the Company amounted to Rs. 2.5 million (30 June 2015: Rs 2.5 million).

## 12.2 Commitments

- 12.2.1** Capital expenditure commitments outstanding as at 31 December 2015 amounted to Rs.116.2 million (30 June 2015: Rs. 407.7 million).

- 12.2.2** Commitments under Letter of Credit for raw materials and spares as at 31 December 2015 amounted to Rs. 4,808 million (30 June 2015: Rs. 2,552.6 million).

- 12.2.3** The unavailed facilities for opening Letters of Credit and Guarantees from banks as at 31 December 2015 amounted to Rs. 9,942 million (30 June 2015: Rs. 8,500 million) and Rs.186 million (30 June 2015: Rs. 293 million) respectively.

	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>13. NET SALES</b>	<b>(Rupees in '000)</b>			
Local	8,848,948	8,076,867	6,152,272	4,039,046
Export	971,904	1,661,085	352,633	1,088,211
	9,820,852	9,737,952	6,504,905	5,127,257
Toll manufacturing	6,846	97,696	2,450	24,914
	9,827,698	9,835,648	6,507,355	5,152,171
Sales tax	(1,356,252)	(1,187,891)	(937,272)	(588,572)
Trade discount	(12,682)	(62,709)	(315)	(20,809)
Sales commission	(88,555)	(93,377)	(61,951)	(48,269)
	(1,457,489)	(1,343,977)	(999,538)	(657,650)
	8,370,209	8,491,671	5,507,817	4,494,521

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

Note	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	(Rupees in '000)			
<b>14. COST OF SALES</b>				
Opening stock of raw material and work-in-process	2,576,275	2,388,667	4,475,347	2,628,855
Purchases	5,896,669	7,078,827	2,003,237	3,690,795
Salaries, wages and benefits	153,038	130,200	76,111	68,190
Electricity, gas and water	362,748	222,157	184,783	93,340
Insurance	8,044	9,225	6,079	4,684
Security and janitorial	10,275	8,904	5,560	4,638
Depreciation	297,200	225,245	160,209	114,831
Amortisation	275	2,949	137	1,476
Stores and spares consumed	38,747	19,538	24,264	8,080
Repairs and maintenance	34,037	33,870	21,629	15,629
Postage, telephone and stationery	2,257	2,278	1,068	1,290
Vehicle, travel and conveyance	7,913	8,919	4,421	5,606
Internal material handling	3,088	3,152	1,827	2,585
Environment controlling expense	720	528	360	356
Toll manufacturing expense 14.1	10,768	-	10,768	-
Computer stationery and software support fees	1,539	2,338	853	811
Others	3,192	2,808	120	1,428
Recovery from sale of scrap	(277,966)	(76,485)	(211,189)	(63,147)
	9,128,819	10,063,120	6,765,584	6,579,447
Closing stock of raw material and work-in-process	(1,512,476)	(1,897,410)	(1,512,476)	(1,897,410)
Cost of goods manufactured	7,616,343	8,165,710	5,253,108	4,682,037
Finished goods:				
Opening stock	1,552,343	1,277,652	1,182,442	1,114,237
Closing stock	(1,116,626)	(1,664,474)	(1,116,626)	(1,664,474)
	435,717	(386,822)	65,816	(550,237)
	8,052,060	7,778,888	5,318,924	4,131,800

**14.1** This represents toll manufacturing services obtained from Holding Company during the period.

## 15. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	50,171	52,941	24,875	27,376
Rent, rates and taxes	2,225	2,462	1,079	1,210
Electricity, gas and water	599	840	289	373
Insurance	828	420	696	126
Depreciation	2,671	2,373	1,371	1,170
Printing and stationery	1,322	939	284	88
Postage and communication	397	318	83	166
Vehicle, travel and conveyance	2,475	2,930	897	1,864
Legal and professional charges	10,707	5,873	7,273	2,502
Certification and registration charges	320	180	252	67
Repairs and maintenance	68	-	68	-
Directors' fee	1,500	1,440	660	720
Others	1,741	2,034	707	1,349
	75,024	72,750	38,534	37,011

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

Note	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	(Rupees in '000)			
<b>16. SELLING AND DISTRIBUTION EXPENSES</b>				
Salaries, wages and benefits	22,790	24,294	11,854	11,754
Rent, rates and taxes	4,190	2,722	2,469	1,352
Electricity, gas and water	527	345	250	165
Insurance	192	421	110	250
Depreciation	1,631	1,251	842	661
Postage, telephone and stationery	663	540	354	540
Vehicle, travel and conveyance	5,194	2,336	1,685	1,267
Freight and forwarding charges	35,685	63,020	23,273	35,094
Repairs and maintenance	324	-	324	-
Advertising and sales promotion	5,789	2,235	3,037	2,111
Others	2,621	1,932	933	722
	<u>79,606</u>	<u>99,096</u>	<u>45,131</u>	<u>53,916</u>
<b>17. FINANCIAL CHARGES</b>				
Mark-up on:				
- Long term finances	222,546	175,102	121,159	88,604
- Short term borrowings	125,514	260,378	74,682	147,450
	<u>348,060</u>	<u>435,480</u>	<u>195,841</u>	<u>236,054</u>
Exchange loss / (gain) on				
FE financing	69,089	135,653	333	(21,096)
Bank charges	5,183	4,380	981	953
	<u>422,332</u>	<u>575,513</u>	<u>197,155</u>	<u>215,911</u>
<b>18. OTHER OPERATING CHARGES</b>				
Auditors' remuneration	1,216	1,103	552	552
Donations	2,190	275	190	-
Exchange loss	71,589	-	3,906	-
Loss on derivative				
financial instruments	10,524	-	10,524	-
Workers' Profit Participation Fund	-	1,986	-	1,986
Workers' Welfare Fund	-	794	-	794
	<u>85,519</u>	<u>4,158</u>	<u>15,172</u>	<u>3,332</u>
<b>19. OTHER INCOME</b>				
<b>Income from non-financial assets</b>				
Income from power generation	19,865	20,072	7,025	7,747
Recovery of shared cost	15,851	9,880	8,815	5,050
Gain on sale of property,				
plant and equipment	2,940	3,820	2,449	1,619
Rent income	858	858	429	429
Exchange gain / (loss)	-	26,960	-	(12,638)
Others	14,608	14,088	4,016	-
	<u>54,122</u>	<u>75,678</u>	<u>22,734</u>	<u>2,207</u>
<b>Income / return on financial assets</b>				
Interest on bank deposit	367	-	367	-
	<u>54,489</u>	<u>75,678</u>	<u>23,101</u>	<u>2,207</u>



# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	<b>(Rupees in '000)</b>			
<b>19.1 Income from power generation</b>				
Net sales	226,487	244,130	111,024	115,017
Cost of electricity produced	(206,622)	(224,058)	(103,999)	(107,270)
	<u>19,865</u>	<u>20,072</u>	<u>7,025</u>	<u>7,747</u>
<b>20. Taxation</b>				
-Current	(9,719)	(16,573)	(3,526)	(10,843)
-Deferred	221,369	21,838	211,916	(4,054)
	<u>211,650</u>	<u>5,265</u>	<u>208,390</u>	<u>(14,897)</u>

Deferred tax reversal is mainly attributable to the tax loss incurred during the current half year.

## 21. CHANGES IN WORKING CAPITAL

	31 December 2015	31 December 2014
	<b>(Rupees in '000)</b>	
<b><i>(Increase) / decrease in current assets:</i></b>		
Stores and spares	(59,544)	(83,870)
Stock-in-trade	1,496,685	(43,053)
Receivable from KE	14,627	5,253
Trade debts	(339,187)	114,892
Advances	(60,485)	201,859
Trade deposits, short term prepayments and other receivables	(8,686)	(18,381)
Sales tax receivable	(405,598)	338,493
	<u>637,812</u>	<u>515,193</u>
<b><i>Decrease in current liabilities:</i></b>		
Trade and other payables	(816,847)	(1,495,487)
	<u>(179,035)</u>	<u>(980,294)</u>

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

## 22. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise IIL, associated undertakings, directors of the Company, key management personnel and staff retirement funds. The Company continues to have a policy whereby transactions with related parties undertakings are entered into at commercial terms, approved policy / under a contract. The contribution to defined contribution plan (provident fund) are made as per the terms of employment and contribution to the defined benefit plan (gratuity fund) are made on the basis of latest actuarial advice. Remuneration of key management personnel are in accordance with their terms of engagements. Details of transactions with related parties are as follows:

	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	(Rupees in '000)			
<i>Transactions</i>				
<b>Holding Company</b>				
Sales	1,257,404	479,376	1,005,040	394,431
Purchases	2,601	6,899	871	2,019
Toll manufacturing - purchase	12,599	-	12,599	-
Toll manufacturing - sales	4,583	97,696	55	24,914
Office rent	5,278	4,798	2,639	2,399
Recovery of shared cost	15,851	9,880	8,815	5,050
Reimbursement of expenses	325	-	325	-
Corporate affairs management expenses	1,083	2,104	523	983
<b>Associated Companies</b>				
Sales	8,869	-	5,626	-
Purchases	3,705,880	6,176,651	1,706,194	1,903,966
Insurance premium expense	16,242	16,086	15,950	10,482
Insurance claim / adjustments	938	33,291	-	33,291
Rent income	858	858	429	429
Rent paid	1,270	-	525	-
Mark-up expenses	8,494	-	7,275	-
<b>Associated person</b>				
Sales commission expense	446	1,962	-	975
<b>Key Management Personnel</b>				
Remuneration and benefits	60,203	64,954	31,233	32,210
Staff retirement benefits	3,069	2,752	1,492	1,675
<b>Staff Retirement Fund</b>				
Contribution paid - Provident Fund	12,423	4,322	6,361	2,187
Contribution paid - Gratuity Fund	5,448	6,201	2,724	3,101
<i>Balances</i>				
<b>Associated Companies</b>				
Creditors	2,087,443	1,252,546	2,087,443	1,252,546
<b>Associated Person</b>				
Sales commission payable	-	1,769	-	1,769

# Notes to the Condensed Interim Financial Information (Un-audited)

For the six and three months period ended 31 December 2015

## 23. OPERATING SEGMENT

These condensed interim financial information have been prepared on the basis of a single reportable segment.

**23.1** Revenue from sales of steel products represents 97% (30 June 2015: 97%) of total revenue whereas remaining represent revenue from sale of surplus electricity to KE. The Company does not consider sale of electricity to K-Electric as separate reportable segment as the power plant of the Company is installed primarily to supply power to it's Galvanizing Plant and Cold Rolling Plant and currently any excess electricity is sold to K-Electric.

**23.2** All non current assets of the Company as at 31 December 2015 are located in Pakistan.

**23.3** 10% of the sales are export sales that are made to customers outside Pakistan.

**23.4** Sales to Holding Company constitute more than 10% of total revenue of the Company.

### 23.5 Geographical information

The Company's gross revenue from external customers by geographical location is detailed below:

Note	Six months period ended		Three months period ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	(Rupees in '000)			
Domestic sales	8,855,794	8,174,563	6,154,722	4,063,960
Export sales	971,904	1,661,085	352,633	1,088,211
13	<u>9,827,698</u>	<u>9,835,648</u>	<u>6,507,355</u>	<u>5,152,171</u>

**23.5.1** The Company exports its products to numerous countries.

## 24. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information were authorised for issue by the Board of Directors on 25 January 2016.

  
**Tariq Iqbal Khan**  
 Director & Chairman  
 Board Audit Committee

  
**Rashid Umer Siddiqui**  
 Chief Financial Officer

  
**Yousuf H. Mirza**  
 Chief Executive Officer

